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SUBJECT: ROK CONTRIBUTION TO USFK RELOCATION: A GLASS MORE
THAN HALF FULL

Classified By: POL M/C Joseph Y. Yun. Reasons 1.4 (b,d).

11. (C) SUMMARY: In a recent Ministry of Defense (MND) press release, the ROKG estimated that it would pay about half of the total cost of about USD 10 billion to relocate U.S. Forces Korea (USFK) to Pyungtaek/ Camp Humphreys. However, USFK estimates that the ROK share will be far more than half. This difference is attributable to whether and how other ROK contributions, such as burden-sharing costs (SMA: Special Measures Agreement) and ROK private-sector build-to-lease (BTL) construction, are counted. If in fact the SMA and BTL figures are factored in, the ROK contribution will equal about 93 percent of the total cost. While USFK has been forthcoming with MND on its intent to use SMA funds since the Yongsan Relocation Plan (YRP) and the Land Partnership Plan (LPP) agreements were reached in 2004, the ROKG has not yet informed the National Assembly and the Korean public of this understanding. This could become a problem as construction at Pyungtaek moves forward. END SUMMARY.

12. (C) On March 20, Major General Kwon Haeng-keun, Chief of USFK Relocation Office at the MND, announced ROKG plans to "almost evenly share the total cost" of USFK relocation. Unveiling the Camp Humphreys Master Plan, which includes projects from both the YRP and the LPP, Kwon stated that South Korea would pay approximately half of the total estimated cost. The MND press release announced that same day described USFK relocation as a large-scale construction project of 10 trillion won (approximately USD 10 billion). MND America Policy Division later confirmed that South Korea would fund approximately 4.58 trillion won (USD 5 billion) of that total amount.

13. (SBU) The MND press release resulted in extensive press coverage of the relocation cost. Press reports generally indicated a 50-50 split between the ROK and USFK. Conservative media have highlighted potential employment opportunities in the local construction sector, while not dwelling on specific costs associated with the move. Left-leaning press organizations, however, have claimed that South Korea will bear as much as 75 percent of the total cost of relocation. It would appear that the 75 percent estimates include other ROK contributions, such as burden sharing costs and ROK private-sector BTL construction.

14. (C) According to USFK, the total estimated cost of YRP

and LPP combined is approximately USD 9.6 billion. This is roughly the same as the ROKG,s estimated figure of 10 trillion won. However, USFK estimates that the ROK share of the total cost would be USD 8.98 billion, compared with MND estimates about USD 5 billion. The 3.98 billion dollar difference is attributable to whether and how those additional contributions are counted. The MND figures do not categorize SMA funds and BTL as ROK contributions, while the USFK estimate does.

¶5. (C) When the YRP and LPP agreements were reached in 2004, the ROKG characterized the agreements as "the requester pays," indicating that the ROK would pay to move USFK out of Seoul (YRP), while USFK would pay to move the 2nd Infantry Division South of Seoul (LPP). In reality, this division of cost sharing is not as clear cut. Both relocation plans involve many cost sharing categories that are yet to be determined and agreed.

¶6. (C) At the time of the agreements, there was an understanding between the U.S. and Korean governments that SMA funds would be used for construction costs associated with the relocation plans. While USFK has been forthcoming with MND on its intent to use SMA funds, the ROKG has not yet informed the National Assembly and the Korean public of this understanding. As a result, when MND briefed the National Assembly on March 20 about the Master Plan, it did not include SMA funds as a ROK contribution. If in fact the SMA and BTL figures are factored in, the ROK contribution would equal about 93 percent of the total cost.

¶7. (C) COMMENT: The sizable difference between the Korean public understanding of the costs and the reality will become a problem as constructions progresses in the coming months. USFK and Post have encouraged MND to provide these details to

the National Assembly and defend the position as important to the alliance. So far, however, MND has continued to put off this day of reckoning. END COMMENT.

VERSHBOW